

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2007-4-G

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PUBLIC SERVICE
COMMISSION

IN RE:

Piedmont Natural Gas)	
Company's Annual Review of)	SETTLEMENT AGREEMENT
Purchased Gas Adjustment and)	
Gas Purchasing Policies.)	

This Settlement Agreement is made by and among the Office of Regulatory Staff of South Carolina (“ORS”) and Piedmont Natural Gas Company, Inc. ("Piedmont" or “Company”) (collectively referred to as the “Parties” or sometimes individually as a “Party”).

WHEREAS, the Parties to this Settlement Agreement are the only parties of record in the above-captioned docket;

WHEREAS, the Parties have engaged in discussions to determine if a settlement of this proceeding would be in their best interest;

WHEREAS, following those discussions Piedmont has determined that their interests, and ORS has determined that the public interest, would be best served by stipulating to the matters set out below:

1. The Parties agree to stipulate into the record before the Commission the pre-filed direct testimony and exhibits of Piedmont witnesses Keith P. Maust, David R. Carpenter and Robert L. Thornton, and any pre-filed rebuttal testimony of Piedmont’s witnesses, without objection, change, amendment, or cross-examination by the Parties. Piedmont will present its witnesses at the hearing.

**This Document Is An Exact Duplicate, With The Exception Of
The Form Of The Signature, Of The E-Filed Copy Submitted
To The Commission In Accordance With Its Electronic Filing
Instructions**

2. The Parties agree to stipulate into the record before the Commission the pre-filed direct testimony, exhibits and any pre-filed surrebuttal of ORS witnesses Carey M. Flynt and Daniel F. Sullivan, without objection, change, amendment, or cross-examination by the Parties. ORS will present its witnesses at the hearing.

3. The Parties agree that: (i) Piedmont uses a “best cost” purchasing policy which consists of five interrelated and weighted components: price, security, flexibility, deliverability, and supplier relations, and that ORS has found that Piedmont’s gas purchasing policies and practices during the Review Period were reasonable and prudent; (ii) Piedmont properly adhered to the gas cost recovery provisions of its gas tariff during the Review Period; and (iii) Piedmont managed its hedging program during the Review Period in a reasonable and prudent manner,

4. The Parties further agree, however, that: (i) Piedmont experienced significant issues with some aspects of the accounting and reporting of its gas costs during the Review Period; (ii) these issues resulted in a difficult and extended audit in this proceeding and numerous ORS adjustments including, but not limited to, the Company’s commodity true-up, inventory accountability and deferred account-hedging program; (iii) several issues relating to the accounting entries applicable to the Company’s commodity true-up calculation and inventory levels remain unresolved and, as a result, ORS is unable to verify the end-of-period balance in deferred account #253.04; and (iv) that Piedmont shall comply with the procedures detailed in paragraph 5 below in order to facilitate a final accounting for all gas costs during the Review Period by not later than January 7, 2008.

5. In order to address the unresolved accounting issues relating to Piedmont’s commodity true-up and inventory levels and to permit a final accounting of Piedmont’s deferred account 253.04, Piedmont agrees to provide revised and updated data to ORS for its review no

later than January 7, 2008. The Parties agree that a report regarding the aforesaid verification and recommended adjustment(s) to the deferred account will be made and reported to the Commission by the Parties no later than February 15, 2008.

6. Piedmont further agrees to exercise its best efforts to continue to correct deficiencies in its accounting and reporting practices to conform its accounting practices to the requirements of the Commission, as stated in previous Orders of the Commission. Piedmont further agrees to begin filing monthly hedging reports beginning with the report for the month of November 2007 for a period of one year or until otherwise adjusted to a quarterly basis by mutual agreement of the Parties or by Order of the Commission in the next annual review. Piedmont additionally agrees to report back to the Commission on the results of their actions in restructuring their accounting practices and procedures on or before February 15, 2008.

7. The Parties agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission as a fair, reasonable and full resolution of the above-captioned proceeding. The Parties agree to use reasonable efforts to defend and support any Commission order issued approving this Settlement Agreement and the terms and conditions contained herein.

8. The Parties agree that by signing this Settlement Agreement, it will not constrain, inhibit or impair their arguments or positions in future proceedings. If the Commission should decline to approve the agreement in its entirety, then any Party desiring to do so may withdraw from the agreement without penalty.

9. This agreement shall be interpreted according to South Carolina law.

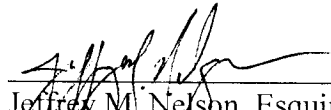
10. Each Party acknowledges its consent and agreement to this Settlement Agreement by authorizing its counsel to affix his or her signature to this document where indicated below.

Counsel's signature represents his or her representation that his or her client has authorized the execution of the agreement. Facsimile signatures and e-mail signatures shall be as effective as original signatures to bind any party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement.

[SIGNATURE PAGES FOLLOW]

WE AGREE:

Representing and binding the Office of Regulatory Staff



Jeffrey M. Nelson, Esquire

Office of Regulatory Staff

144 Main Street, Suite 300

Columbia, SC 29201

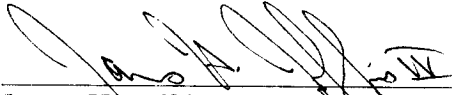
Phone: (803) 737-0823

Fax: (803) 737-0895

Email: jnelson@regstaff.sc.gov

WE AGREE:

Representing and binding Piedmont Natural Gas Company, Inc.

A handwritten signature in black ink, appearing to read "James H. Jeffries, IV", is written over a horizontal line.

James H. Jeffries, IV, Esquire
Moore & Van Allen, PLLC
100 North Tryon Street, Ste. 4700
Charlotte, NC 28202
Phone: 704-331-1079
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Email: jimjeffries@mvalaw.com

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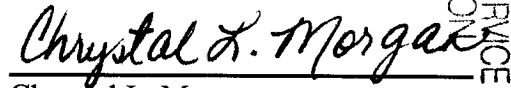
IN RE:

Annual Review of Purchased Gas Adjustment)	
and Gas Purchasing Policies of Piedmont)	CERTIFICATE OF
Natural Gas Company, Incorporated)	SERVICE
)	
)	

This is to certify that I, Chrystal L. Morgan, have this date served one (1) copy of the **SETTLEMENT AGREEMENT** in the above-referenced matter to the person(s) named below by causing said copy to be deposited in the United States Postal Service, first class postage prepaid and affixed thereto, and addressed as shown below:

David Carpenter
Tom Skains
Piedmont Natural Gas Company
PO Box 33068
Charlotte, NC 28233

James H. Jeffries IV, Esquire
Moore & Van Allen PLLC
Bank of America Corp Center
100 North Tryon Street, Ste 4700
Charlotte, NC 28202-4003



Chrystal L. Morgan

SC PUBLIC SERVICE
COMMISSION

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November 8, 2007
Columbia, South Carolina